

New!

MONEYPLU\$ Health Savings Accounts

For the State of South Carolina

***Health Savings Accounts (HSA) are great news for employees.
An HSA allows participants to pay qualified medical expenses with
pre-tax dollars!***

What is a Health Savings Account?

Providing economical health care in the face of rising costs is a major issue facing the nation. In 2005, as part of an effort to cope with this challenge, the Employee Insurance Program (EIP) will begin offering a State Health Plan Savings Plan coupled with a Health Savings Account (HSA). This option will enable subscribers who are willing to take greater responsibility for their medical care the opportunity to reduce their insurance premiums and save money for qualified medical expenses.

A Health Savings Account (HSA) is a tax-free account that can be used to pay health care expenses. Unlike money in a MONEYPLU\$ Medical Spending Account, the funds do not have to be spent in the plan year they are deposited. Money in the account, including interest, accumulates tax-free, so the funds can be used to pay qualified medical expenses in the future. An important advantage of an HSA is that it is owned by the employee. If you leave your job, you can take the account with you and continue to use it for qualified medical expenses.

Who is eligible to contribute to a MONEYPLU\$ HSA?

- Employees covered by the State Health Plan Savings Plan, available January 1, 2005.
- Employees not covered by any other health plan, including Medicare. However, they may be covered for specific injuries, accidents, disability, dental care, vision care and long-term care.
- Participants not claimed as a dependent on another person's tax return.

How much may I contribute to my HSA?

If you enroll in the MONEYPLU\$ HSA, your contributions are deducted on a pre-tax basis. In 2004, a subscriber with single coverage could contribute up to \$2,600 a year to an HSA. Those covering more than one family member could contribute up to \$5,150 a year. These limits, established by the federal government and subject to change, are tied to the rate of inflation. The maximum monthly contribution is calculated based on the annual allowable amount and number of months remaining in the contribution year. A subscriber age 55 and older may make "catch-up" contributions to an HSA. In 2005, that subscriber can contribute \$600 above the limit.

How can I change my HSA contribution amount?

You may change the amount you contribute to your MONEYPLU\$ HSA through payroll deduction once per quarter. To make a change to your HSA contribution amount, contact your benefits administrator.

How do I get funds out of my HSA?

After enrolling in the HSA and completing a Bank Signature Card form, your contributions will be sent to the custodian, National Bank of South Carolina (NBSC), an affiliate of Synovus Financial Corp. NBSC will establish an individual account for you and mail you up to two VISA® debit cards to your home address at no charge. You may order additional cards at \$4 each or a small supply of checks by contacting NBSC at **1-877-367-4HSA (472)**. You may use the debit card or checks to get funds out of your HSA. Remember, as long as you are taking funds out for qualified medical expenses, there are no taxable consequences to you. However, if you withdraw funds for ineligible expenses, you may experience taxable consequences and penalties on the receipt of such funds unless you reimburse your HSA for the ineligible amount.

Will I be charged any banking or custodian fees?

Yes. NBSC will charge you \$2 per month for your HSA. If you prefer to pay a \$20 annual fee, instead, you may contact NBSC within 60 days of account opening. This fee includes the VISA debit card, all transaction fees associated with the card, a supply of checks, monthly statements, and other banking services. There is a \$.50 charge to process each check you write to get funds from your HSA. NBSC will deduct these fees automatically from your HSA. Other fees may apply, including fees for insufficient funds. Refer to your HSA Disclosure Statement for more information.

Are my HSA funds invested?

Your funds will initially be held in an interest-bearing checking account at NBSC. The bank can provide you with applicable interest rates for HSAs since these rates are subject to change from time-to-time. As your account balance grows, you may be eligible to invest your funds in other types of investments. NBSC will communicate these investment and brokerage opportunities when applicable.

Remember, only MONEYPLU\$ limited-use Medical Spending Accounts are available to HSA participants

Are there any special tax forms or tax-reporting that I must complete when filing my income taxes at year-end?

NBSC will send your tax filing information, after the end of the taxable year, for your use in reporting your contributions to your HSA and to report any withdrawals or distributions from your HSA. It is important that you save receipts, invoices and any explanations of benefits received from your health insurance carrier as documentation, in case you are ever asked to show proof of qualified medical expenses to the IRS.

What if I exceed the annual contribution limits established by the IRS?

FBMC will monitor your HSA contributions and send an alert to your benefits administrator and advise that you are exceeding your contribution limits. NBSC will also send courtesy notices periodically reminding you to check your account balance and ensure that you are not exceeding the allowable annual contribution limits. You may decrease or stop your contributions accordingly, but the best way to ensure that you do not exceed the annual contribution limits is to elect a per-pay-period contribution that ensures you will not exceed the annual limits (\$2,600 for single coverage and \$5,150 for family coverage). Of course, you can add the "catch-up" contribution amount to these annual limits if you are age 55 or older. The catch-up contribution for 2005 is \$600.

May I have a MONEYPLU\$ HSA and Spending Account?

Yes, subscribers may enroll in a MONEYPLU\$ **limited-use Medical Spending Account** to pay certain eligible expenses. The limited-use Medical Spending Account may be used to pay expenses not covered by the Savings Plan, including dental and vision care expenses. For more information refer to the MONEYPLU\$ Medical Spending Account section in your MONEYPLU\$ enrollment booklet. MONEYPLU\$ Dependent Care Spending Account eligibility is not effected by your HSA participation.

MORE INFORMATION CONTACT:



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